

THE CITY OF WICHITA



OFFICE OF THE CITY MANAGER
CITY HALL — THIRTEENTH FLOOR
455 NORTH MAIN STREET
WICHITA, KANSAS 67202
(316) 268-4351

August 26, 1988

The Honorable Mayor and
Members of the City Council
City of Wichita
Wichita, Kansas

Dear Council Members:

The development of the annual operating and capital budgets is always a major policy undertaking for the City Council and staff. This year that process is especially crucial and challenging because of the pending implementation and impacts of state-wide property reappraisal. To accommodate the need for financial planning during this transition period, the City has sought to project its financing needs over two years (1989 and 1990).

During its deliberations on the budget, the City Council used the opportunity to determine whether the budget, as proposed, would adequately meet the desires of the citizens and the challenges facing the community. The City Council had the task of balancing community needs for services against the City's ability to finance these services. The result was the adoption of a fiscal policy for 1989-1990 which will meet the City's short- and long-term goals and strategies.

In preparing the budget, staff sought to maintain stability in public services within a program of tax constraint. To accomplish this objective, each of the basic services being provided by the City was carefully examined to ensure maximum efficiency and economy. Other service needs were weighed and determined within the context of desirability and ability to finance. As a result, the adopted budget improves present service levels while adding a moderate tax rate increase, to replace lost revenues or fund operational increases.

STRATEGIC AGENDA FOR WICHITA

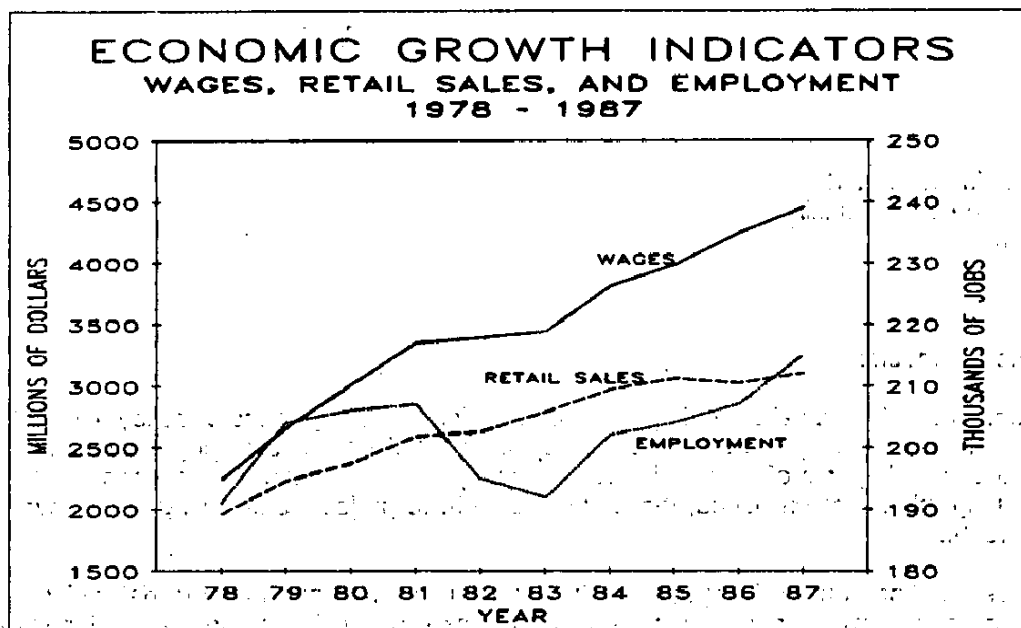
While the immediate focus of the annual operating/capital budgets is on the human and financial resources available to the City, there is a larger perspective of providing quality services which moves the community forward into the future. The City's "Strategic Agenda" was completed in March, 1987, with the intent of developing a framework for directing the City's programs and efforts. It seems appropriate after more than a year to examine how far that Strategic Agenda has taken us; and what remains to be done in 1989, 1990 and beyond. In part, this adopted budget is a Strategic Agenda report card to the City Council and citizens of Wichita, and a projection of future plans and needs as they are reflected in the 1989/1990 Budget of the City.

The Strategic Agenda concentrated 151 individual strategies into five broad issue areas: Economic Development, Community Enhancement, Infrastructure Development, Government Coordination, and Government Structure/Finance. This report retrospectively and prospectively examines each of these five areas outlining the accomplishments of the past year and the activities included in the adopted 1989/1990 Budget.

ECONOMIC DEVELOPMENT

The strategies within the Economic Development area seek to define how the City can best cooperate with other community groups to promote the economic future of Wichita, Sedgwick County, and Southcentral Kansas. The Wichita area begins the new initiatives in economic development with a strong base in quality of life and existing economic activity.

The chart shown below shows the trends in economic growth based on key indicators (wages, retail sales and employment). Wichita is currently enjoying a moderate level of economic growth.



In partnership with other public and private groups, the City, in 1987-88, established the WI/SE Partnership for Growth to develop the Blueprint 2000 Plan addressing downtown revitalization, the community's image, technology transfer, new transportation systems, a business/education compact, small business support, and other special programs to promote economic vitality. The City's commitment, in addition to Council and Staff Involvement, has taken the form of \$250,000 in direct monetary support to WI/SE, as well as support of its nine-point goals.

City staff assist in identifying financial and other resources (including job training) available to retain existing and attract new industry to Wichita. An example of this effort is the incentive package which brought a Best Western regional reservations center to the City. An important element in economic development is a focus on providing greater job training opportunities (through the federally-funded Job Training Partnership Act) for those persons who need to learn new skills in a changing workplace.

The Council also adopted a Tax Exemption policy to grant property tax exemptions to businesses whose expansion or new facilities generate new jobs or inject new money into the Wichita economy.

Substantial progress has been made in 1988 toward acquiring land on the east bank of the Arkansas River in downtown. This has strategically positioned the City for promotion of new development efforts in the vicinity of the Century II/Expo Hall complex. The 1989 Capital Improvement Program includes funding for opportunity land acquisitions in conjunction with economic development projects.

On another land front in 1988, the City is completing an inventory of City property and reviewing usage. Property not required for public purposes will be sold in the coming years for private development.

The City has progressed toward completion of a Development Assistance Center which will assist developers in complying with City regulations. This center will be operational before the end of 1988.

The 1989 Budget anticipates a reevaluation of City efforts and staff resources to more closely merge City economic development efforts and staff with those of the WI/SE group.

COMMUNITY ENHANCEMENT

Closely aligned with the efforts in economic development are the strategies under Community Enhancement. Community Enhancement stresses the quality of life that Wichitans seek to enjoy in a vibrant downtown, clean neighborhoods, attractive landscaping, cultural and recreational facilities, and opportunities for all citizens to enjoy a quality standard of living.

In 1988, the City worked closely with WI/SE in preparation of a new development plan for the downtown area. Improvements were made to two attractions within the core area -- Botanica and the Riverside Zoo.

Also in 1988, the City continued City-wide cleanup programs through convenient trash disposal sites and free dumping at the landfill on specific days of the year. Closure of the old Chapin Landfill is being completed; however, environmental monitoring remains an ongoing effort. The Neighborhood Improvement Program, started in 1987, has proven to be very popular and was expanded in 1988 to cover more residential areas. Assisting efforts in neighborhood revitalization are grant and loan programs (low income and historic preservation) which provide economic incentives for property owners to maintain housing. In addition, a new Environmental Court was established to focus attention on expediting due process hearings and eliminating blighted conditions and nuisances.

Other programs in 1988 include initial planning to landscape and beautify the City's expressways and arterial streets. Advertising and information will be provided to make citizens more aware of the recreation opportunities through the Park Department. Summer youth employment and recreational programs have received a special emphasis in 1988 to provide greater opportunities for the community's young citizens.

Not only will the efforts begun in 1988 continue, but the City's commitment to quality of life will be expanded. Funding support for Park (maintenance), Botanica and Riverside Zoo facilities will be increased in 1989. Increased funding in 1989 for the Libraries and the Art Museum will protect the public's investment in these cultural facilities and expand opportunities for their enjoyment.

Local tax funding of human services will continue in 1989 providing resources to assist with emergency shelter, elderly assistance, medical care, food assistance, child care, and job training in areas where other assistance is not available. Expansion of selected MTA bus routes in 1989 will provide citizens who rely on public transportation greater flexibility in traveling in the community.

Landscaping/beautification initiatives will be a major focus in 1989. A Design Review Team, in conjunction with local public utilities and other groups, will establish guidelines for beautification efforts on public projects. A "public art" program will seek to combine public and private interests in special projects for sculptures, murals, graphics, and other forms of art within the public spaces in the City. Increased 1989 funding in Public Works will provide for a landscape architect position on staff, and fund a three person "Landscape Right-of-Way" crew to establish and maintain more scenic roadways and expand landscape and beautification efforts in the community. The Capital Improvement Program provides additional funding for landscaping/beautification of specific new projects (e.g. Kellogg).

The 1989 Budget provides funding to expedite updating of the City's Comprehensive Plan. An updated plan is essential for the community to assess and balance land uses, forecast population and employment trends, and project infrastructure/facility needs.

Not to be overlooked in the quality of life is public safety. In 1989, a new west Wichita fire station (adding 17 new firefighter positions) will enhance fire protection to a growing area of the City. A new Fire station combined with a Police substation in east Wichita will also enhance emergency services. Nine Police officers will be added to increase patrol and traffic safety. Three additional positions in Emergency Communications will provide improved communications response to citizens who call for emergency services.

INFRASTRUCTURE DEVELOPMENT

The strategies under Infrastructure Development recognize the critical importance of the physical framework provided by the system of streets, sewers, water and other facilities in supporting every aspect of the business, residential and entertainment life of the community.

In 1988, the City has made substantial progress in completion of final plans for improvements to Kellogg (US 54) and the construction of Northeast Expressway (K-96). The first phases of actual construction on both highway projects is expected to begin in 1989-1990.

A new Pavement Management system was implemented in 1988 which will, for the first time, accurately measure the condition of the street system, aiding in establishing priorities for the limited maintenance funds available. The 1988 Budget has been revised to reflect an additional \$1 million expenditure from Gas Tax reserve funds to expand street maintenance. For 1989-1990, the budget includes a special one mill tax levy (\$1 million) dedicated to a Capital Investment Maintenance Program to expand preventative maintenance efforts on an ongoing basis.

Plans for a new traffic signal control system will be completed in 1988. Installation will begin in 1989 (in the Central Business District) with future phases adding selected arterial intersections. The new system will enhance safety and convenience in traveling throughout the City.

A City-wide drainage study is in progress. The results of this study will guide future efforts in addressing critical storm water drainage problems. A task force will report in 1989 with recommendations on financing methods to implement this plan.

The City is continuing a longstanding program to fund upgrading of street/railroad crossings with long-wear rubberized surfaces. In addition, the City has initiated a study of railroad trackage locations, especially in the center city, with a goal of removing or relocating tracks to maintain important rail service while improving land use or minimizing motor vehicle transportation inconveniences.

A special citizen task force was created in 1988 to review financing of infrastructure improvements. The group will study whether to implement a plan for charging "impact fees" to new development to recover the cost of infrastructure expansion. The study is expected to be completed in 1989.

Efforts continued in 1988 to work cooperatively to develop a state-wide water plan, as well as local initiatives to identify alternatives for the City's long-range water supply needs. Expansion of the City's wastewater system is programmed in 1989 and 1990 with a major upgrade of the Secondary Wastewater Treatment Plant to meet new "Clean Water Act" requirements.

GOVERNMENT COORDINATION

Governmental Coordination strategies outlined ways in which the City could improve access to government (by citizens) and expand lines of communication between levels of government for better coordination of services to the public.

Important progress was made in these efforts in 1987-88. The City Council took steps to move City government into the neighborhoods of the City with a series of district meetings of the Council; those meetings continue in the form of one evening meeting of the City Council each month.

The City Hall Express was established to provide a convenient one-stop center for citizen payment of numerous bills, fines and other fees, as well as changes in water and sewer services.

A study of the City's boards and commissions resulted in expanding opportunities for citizens, not previously represented, to serve on the many boards which advise the City Council. Board members were also provided training to increase their knowledge of City government and ability to effectively provide input into decision-making.

Joint meetings among the City Council, County Commission, and School Board were established to better

coordinate activities. A legislative contact/network system and more frequent visits to the State's Capitol improved lines of communication between the City and State.

For 1989, efforts will continue to involve the public in local decision-making, through boards, commissions, and CPOs. Of particular importance in 1989 will be the addition of separate Public Affairs and Intergovernmental Relations positions to focus the attention on both of these important areas of communication: Public Affairs with providing timely information about City government to the public, and Intergovernmental Relations with carrying the message and promoting City needs to other units of government at the federal, state and local levels.

GOVERNMENT STRUCTURE AND FINANCE

The strategies in Government Structure and Finance focus on how City government could best be organized to promote economy and efficiency in service delivery.

This budget document continues the effort to unify the budgeting process by making operating, capital and grant assistance decisions at the same time of the year. It also simplifies the budget by having fewer funds accounts. These changes allow the Council and the public to focus on policy issues, not document complexity, when reviewing the budget. As a large municipal corporation the City needs to project its financial needs into the future. The 1989/1990 Budget does this by adding a new dimension of multi-year forecasting of the City's financial resources.

The City's financial reporting procedures have again achieved recognition with the award of the "Certificate of Achievement for Excellence" from the Governmental Finance Officers Association. This certifies the integrity of the City's financial reporting in accordance with generally accepted accounting principles.

To improve on financial monitoring efforts, an Internal Auditor position was created in 1987. This position independently examines the City's financial and managerial internal controls and operations.

Implementation of the Management Information System (MIS) plan is proceeding, in 1988, with installation of a new computer-based finance system. This will permit more timely monitoring of financial trends, as well as ensure prompt, accurate processing and reporting of financial transactions, utility billing, and payroll. Due to changes in technology, this new system will expand capabilities at a lower cost than the contracted service it replaces.

Also in 1988, the City took initial steps to develop more refined performance measures which will provide elected officials and managers with detailed information about how effectively and efficiently services to the public are being delivered. Additionally, City staff is working to promote creativity in public service delivery through special training seminars on public entrepreneurship.

Major studies were initiated in 1988 to identify areas where municipal services can be privatized; and whether impact or user fees should be levied to more equitably spread the cost of new services. Ongoing study of the City's management structure is also underway in 1988 with studies in Police, Human Services, Finance, and Housing/Economic Development.

Recognition is also given to the valuable work of City employees in providing public services. The 1988 and 1989 Budgets include funds for employee wage/salary increases which moderately exceed the rate of inflation and meet market competitive levels. To maximize the human resource potential of City employees, the Budget provides for an expanded training program (with a special emphasis on tuition reimbursement promoting career development).

The 1989-1990 Budget will benefit from the continuing efforts in these strategies through more efficient administration of City programs and services and the identification of possible alternative sources of revenue to relieve pressures on the local property tax.

A goal for 1989 will be to seek an improved credit rating from AA to AAA (the City's bond issues have already been recognized in the marketplace as the equivalent of AAA through favorable price bids). An improved credit rating increases the marketability of City bonds while decreasing City interest costs.

1988 REVISED BUDGET

The adopted budget includes revised estimates of current year (1988) revenues and expenditures. This procedure of revising the budget is an important improvement in financial management, designed to provide a more realistic estimate of revenues and expenditures in the current year and to improve budget development for the next year. Revenues above and expenditures below budgeted projections increase the City's cash reserves for future years.

Increased resources are expected to result from the collections of delinquent property taxes (\$163,000), local sales taxes (\$320,000), state shared sales taxes (\$112,000), franchise fees (\$240,000), alcohol liquor license fees (\$169,000), interest earnings (\$69,000), and interfund transfers (\$538,000). These additional revenues are the result of new tax collection procedures by the County Treasurer, increased retail sales, new license fees, increased consumption of utilities, new investment procedures and rising interest rates, increased residual equity from discontinued funds, and increased reimbursed expenses.

Savings in the current year are estimated to more than offset the estimated cost increases in the areas of Police/Court overtime (\$145,000), County data processing charges (\$365,000), postal rate increases (\$40,000), and snow removal (\$266,000). In addition, excess balances in the Gas Tax fund will be utilized to finance a \$1 million, one-time residential street repair program in 1988.

1989 OPERATING BUDGET

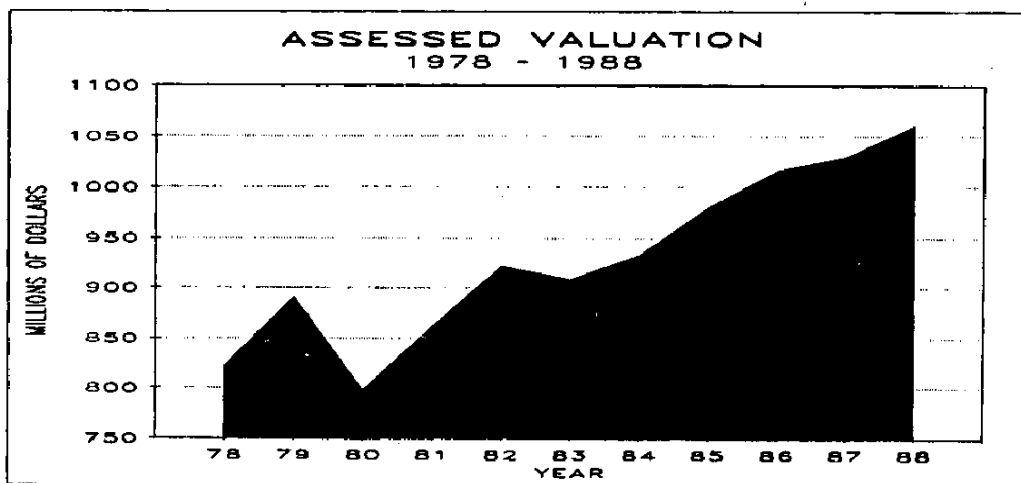
The 1989 Budget totals \$248,946,693, compared to the adopted 1988 Budget of \$225,220,581, exclusive of sales tax expenditures for capital improvements. The differences are primarily the result of increases in personal services, debt service, increased reserves, and programmed water and sewer utility improvements. The mill levy required to finance the 1989 (and 1990) Budget program is 37.303 mills, compared with 34.639 mills for the 1988 Budget, an increase of 2.5 mills (an average annual increase of 3.8% over the two years).

General Fund expenditures in 1989 of \$83,900,692 which finance basic City services, reflect an increase of \$5,275,521, over the current 1988 Budget. Much of this increase is attributable to personnel costs, proposed new program/service enhancements, and increased costs for existing program/service levels.

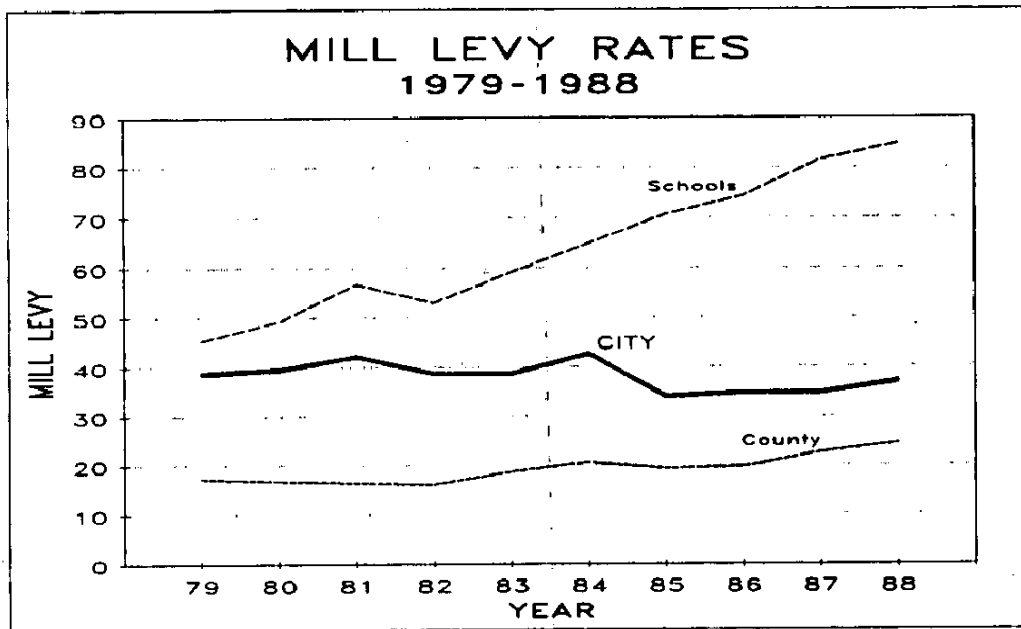
The adopted budget is balanced in accordance with State law; expenditure proposals are equal to available resources. Should the Council wish to add services/programs, other improvements or staff, additional resources will be required or other expenditure reductions made.

1989 MILL LEVY

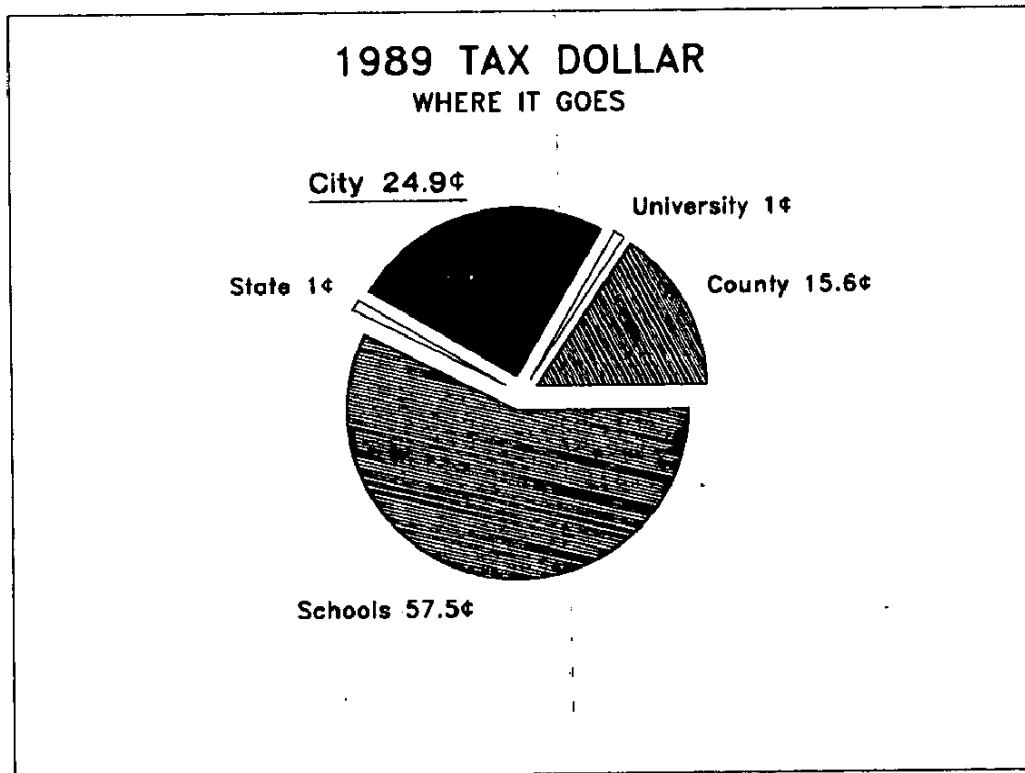
The estimated assessed valuation (the measure of property values for taxation purposes) of \$1,061,993,240 reflects a growth of 3.1% (\$32,358,974) in the addition of new property on the tax rolls in the past year.



Final assessed values are not set by the County until September of each year, after budget development is completed; it may be necessary to alter the final mill levy after assessments are known. In examining a multi-year trend, City government is the only local taxing jurisdiction with a property tax levy that is lower than ten years ago. The 1988 mill levy is 37.3 mills compared with 38.8 mills in 1979.



The property tax levy is divided among three primary taxing jurisdictions: City, Schools, and County (plus small 1.5 mill levies for the State building fund and Wichita State University endowment fund). For every dollar in property taxes paid, approximately 25 cents goes to support the many City services.



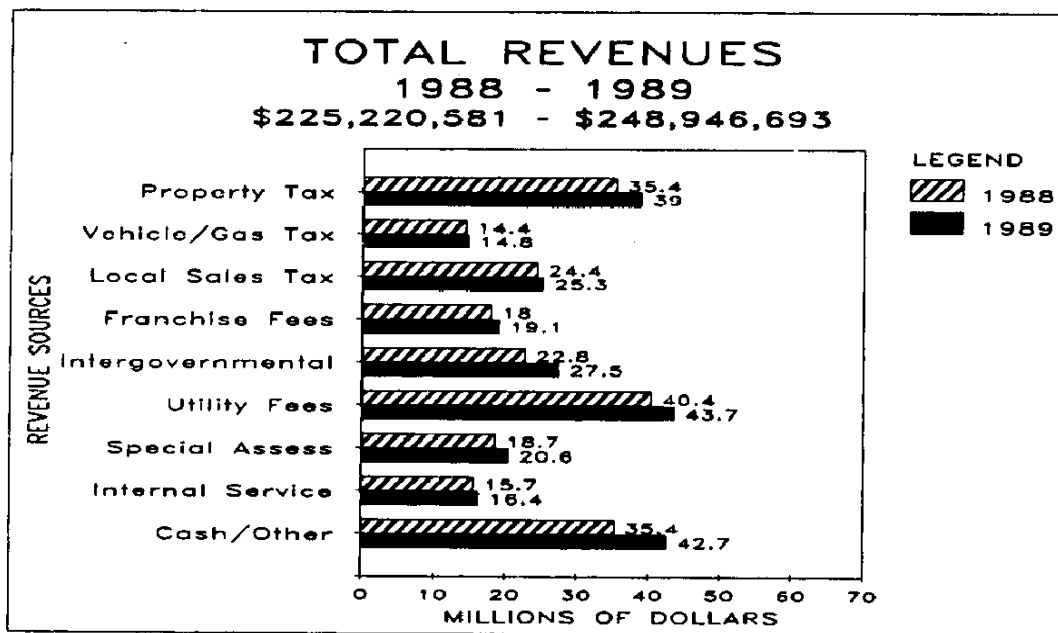
The City's mill levy increase is directly attributable to the assumption of costs of new/expanded services; the need to make up for revenue losses; and increases in costs to maintain current program/service levels.

Over the last two years, the City's program of fund consolidation has reduced the number of taxing funds from twelve (12) to three (3). For the 1989 Budget, the Employee Benefit Fund has been consolidated with the General and PLAM funds. The adopted levy is allocated as follows:

<u>City Tax Levy Funds</u>		
<u>Fund</u>	<u>1988</u>	<u>1989</u>
General Fund	7.953	16.013
Park/Library/Art Museum	7.193	8.814
General Debt & Interest	12.509	12.476
Employee Benefits	<u>6.984</u>	<u>—</u>
Total Tax Levy (mills)	<u>34.639</u>	<u>37.303</u>

BUDGET REVENUES/EXPENDITURES

REVENUES: The 1989 revenues of \$248,946,693, compared to 1988 revenues of \$225,220,581, are derived from the following sources.

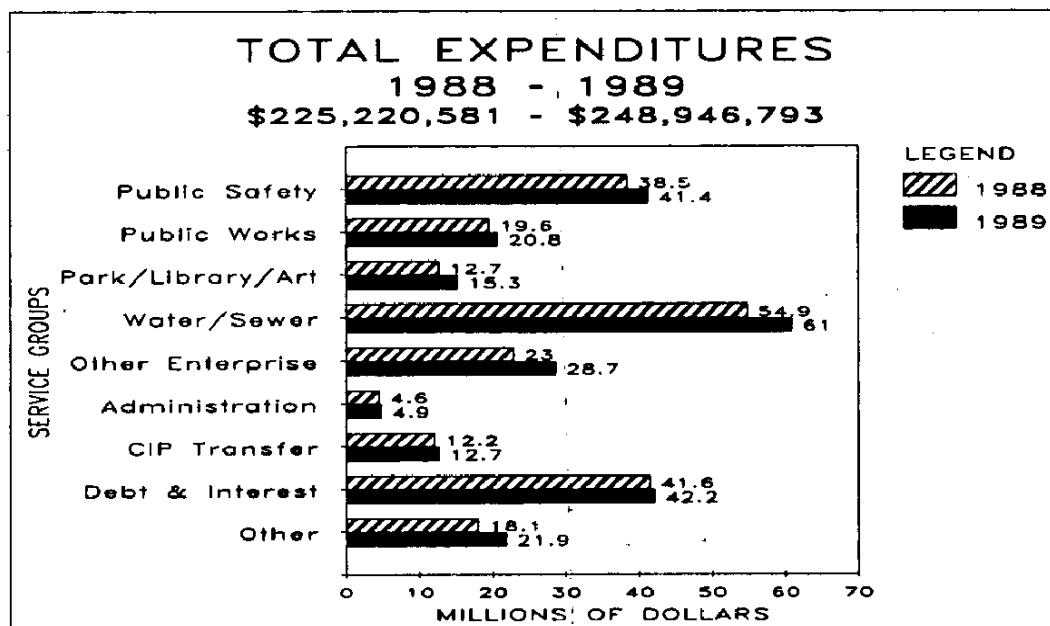


The adopted budget continues to identify additional revenue sources to maintain existing services and to help offset demands on property taxes. Included in the budget are increased user fees/charges to more equitably place the burden of paying for the service on those using it. Some of the increases included in 1989 are: Planning/Development Fees, maintenance and lease agreements, Police records/reports and other special services. In addition to these user fees, other increases include the implementation of the ten (10) percent adjustment in sewer rates previously approved by the Council to meet costs for the new secondary sewage treatment plant; a three (3) percent adjustment in water rates to reflect programmed improvements in the City's water distribution system; and six (6) percent in landfill charges to meet increased environmental landfill requirements and monitoring activities.

As the City continues to grow and experience greater demands for services, the stress on City finances will increase. The City has made and will continue to make every effort to reduce costs and strive to make services more efficient and responsive. Because of mandates and constraints placed on cities by statewide reappraisal, together with a continuing decrease in state and federal shared taxes, the City can no longer provide more services than those currently provided for the same or less property tax.

To meet the many desires of adding to and improving our community facilities, and to make our community even more attractive, consideration should be given to increasing the City's guest (room) tax and/or implementing a food/beverage tax. Such sources could not only be used to enhance various community assets as the museums, libraries, Botanica and other cultural and entertainment features, but could also be used to help support a City-County Sports Authority or other activities that will make Wichita a quality city.

EXPENDITURES: The 1989 expenditure budget of \$248,946,693, compares to 1988 adopted expenditures of \$225,220,581. The following chart summarizes 1989 proposed expenditures by program categories.



Personnel Costs: 1989 Salaries/fringe benefits reflect an increase of \$5,062,636 in the budget. Staffing levels account for 32.7 percent of the total City operation and 58.6 percent of the General/PLAM budgets.

The 1989 Budget provides for additional employee positions to staff new or expanded services/facilities in public safety (Police, Fire, Emergency Communications), maintenance (parks and rights-of-way), sewage treatment, inspection services, and cultural/recreational facilities (Art Museum, Botanica, and Riverside Zoo).

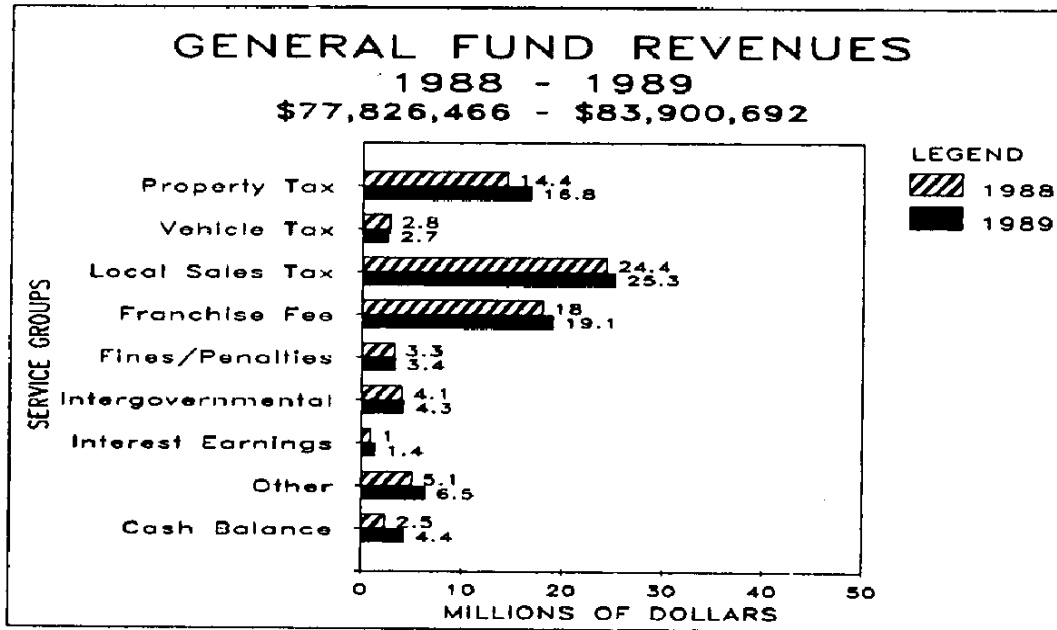
Major Expenditures: Increases in 1989 expenditures for new/expanded programs and services include the following:

Capital Investment Maintenance Program	\$1,018,100
New West Fire Station	507,450
Three Additional Emergency Dispatchers	45,056
Police East Substation	22,180
Park Maintenance	107,000
Landscape/Right-of-Way Maintenance	67,000
MTA Improvements	65,710
Library/Museum/Botanica/Zoo Enhancements	132,940

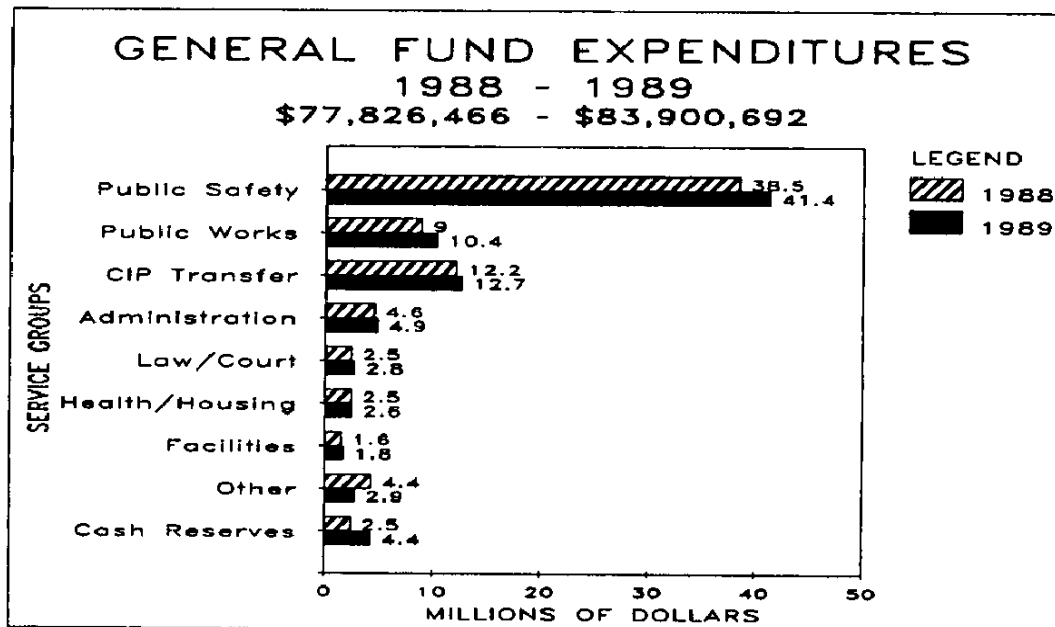
Increased costs in existing services are also budgeted for higher electrical costs (\$308,631), County Data Processing charges (\$160,988), and Police overtime requirements (\$125,000).

GENERAL FUND

The total 1989 revenues for the General Fund are projected at \$83,900,692. This amount compares with the 1988 budget of \$77,826,466. A graphic summary of General Fund revenues is shown below. The property tax represents only 20 percent of total General Fund revenues.



A summary of the General Fund expenditures (by program category) follows:



CAPITAL INVESTMENT MAINTENANCE PROGRAM

The City contains approximately 1,500 miles of streets, alleys, and bridges with an estimated current replacement value of over one billion dollars. The investment in streets is the single largest capital investment the City has and will continue to make. Proper and timely maintenance of this billion dollar roadway system will increase the useful life of these streets, as well as increase the safety and convenience of the motoring public.

The City's budget for street maintenance has not kept pace with the need. A citizen survey conducted by WI/SE reflects the public's assessment that improved streets are a high priority. The new Pavement Management system will identify and prioritize the streets most in need of maintenance; but information about maintenance needs must be accompanied by a commitment of resources to meet those needs.

The adopted 1989-1990 Budget includes a special one mill levy dedicated to an expanded Capital Investment Maintenance Program. An expenditure of \$1,018,000 for streets and other capital assets will address a critical public need and reduce future expenditures.

PROJECTED BUDGET FOR 1990

1990 BUDGET

Throughout the budget development process, staff was cognizant of the need to project realistic cost estimates and revenue forecasts for future years to ensure financial stability and prevent operating deficits. The 1989 tax operating funds (General and PLAM funds) are projected to have more than a \$5.2 million ending cash balance, meeting the City's goal of an approximate 5% reserve. The importance of maintaining reserves is to properly manage revenue changes during the year and to ensure an adequate carryover operating fund balance to avoid sharp increases in the City's mill levy in the future.

For purposes of projecting financing needs, the 1990 portion of the budget includes specific projections of revenue and proposed expenditure levels. The projected 1990 revenues and expenditures are \$233,045,798, a decline of \$15,900,895 from the 1989 Budget total of \$248,946,693. The decline is due primarily to reduced capital expenditures in the Sewer Utility. Allowances have also been made in the 1990 Budget for "contingency expenditures" of \$1.5 million (separate from cash reserves) to react to inflationary increases and to fund program improvements, personnel compensation, or other expenditures not known or anticipated at this time.

The 1989-1990 Budget is intended to serve as a two-year budget plan. The City Council and citizenry will have a second opportunity to review the 1990 portion of the budget plan in 1989.

IMPACT OF REAPPRAISAL

A major issue which impacted the preparation of the 1990 Budget, as well as the 1991 and future budgets, is state-wide property reappraisal. The 1985 Kansas Legislature approved a plan for state-wide property reappraisal. All counties in Kansas are required to have completed this reappraisal by January 1, 1989.

The voters of Kansas approved a State Constitution amendment in 1986, which provided for classification of property for property tax purposes. That classification permitted assessment of property as follows:

<u>Property Use</u>	<u>Assessment</u>
Residential & Vacant Lots	12% (fair market value)
Commercial/Industrial	30% (fair market value)
Motor Vehicles	30% (fair market value)
Machinery/Equipment	20% (fair market value)
Agricultural	30% (use value)

For taxation purposes, the implementation of both the property reappraisal and classification will occur with tax levies made in 1989 to fund the 1990 Budget. The State Legislature has also imposed a restriction on local governments (excluding school districts). "Aggregate" property tax revenues in the 1990 transition year, after reappraisal, cannot exceed those raised in the preceding (1989) year for funds subject to the current tax law (General and PLAM funds). The limitation does not apply to the City's General Debt and Interest fund.

For Wichita, the implementation of reappraisal will have the following monetary ramifications:

- (1) Lost Property Tax Revenues -- As part of the reappraisal package, the State has imposed a one-time restriction on local governments. In any normal year, the City would expect to realize an increase (normally 3%) in its property tax revenues from growth in development in the community. For the transition year on reappraisal (1990 Budget), the State-imposed freeze on tax revenues will reduce City revenue growth by an estimated \$675,000.
- (2) Lost Motor Vehicle Tax Revenues -- In the year following the reappraisal transition (1991 Budget), the City will experience a second major revenue loss. The Motor Vehicle tax is computed on the basis of the county-wide average of real property tax mill levy rates for the preceding year. Because reappraisal is expected to substantially increase appraised, therefore assessed valuations, mill levies are expected to drop. The county-wide average mill levy is expected to decline proportionately and (because motor vehicles are, and will continue to be, assessed at 30% of fair market value) reduce the City's revenues from Motor Vehicle taxes by approximately \$2.4 million.

Overall, the City's budget will be negatively impacted by property reappraisal in an amount exceeding \$3.0 million over two years (1990 and 1991). This is the equivalent loss of three (3) mills, or 9% of the City's property tax revenue base.

CAPITAL IMPROVEMENT PROGRAM

Again this year, the City Council will consider the 1989-1994 Capital Improvement Program (CIP) and, specifically, the 1989 Capital Budget, in conjunction with the annual operating budget. Concurrent consideration will ensure fiscal coordination of projects and services. The Six-Year Capital Improvement Program was formulated by an Administrative Committee and reviewed with various Advisory Boards/Commissions, including the Planning and Traffic Commissions, Citizen Participation Organization and other groups. Its preparation followed established CIP guidelines adopted by the City Council.

1989 CAPITAL BUDGET

The 1989 Capital Budget requires a mill levy of 12.509 (no increase from 1988). Only 9.9 percent of the revenue to support the 1989 Capital Budget is derived from property taxes. The work program totals \$86,955,000. Revenues to support the program will be derived from:

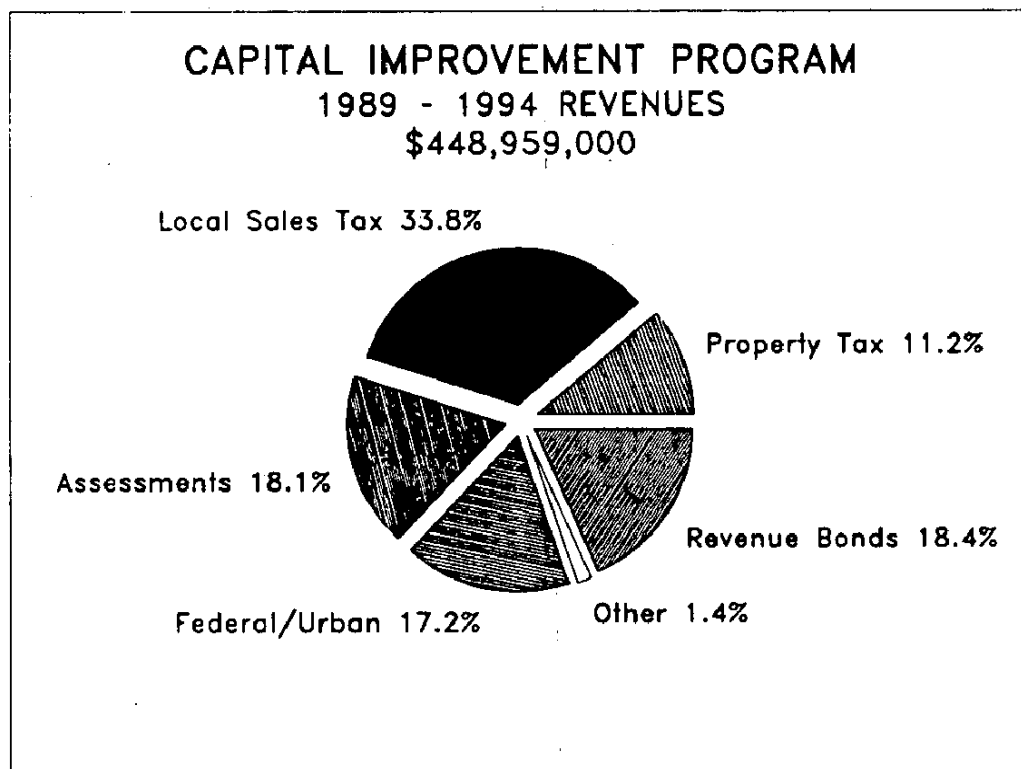
<u>Revenues</u>	<u>Amount (000)</u>
General Obligation Bonds	\$ 8,462
Sales Taxes	10,672
Special Assessments	14,985
Revenue Bonds	20,738
Federal/Urban Grants	29,136
Other	2,962
Total Revenues	<u>\$ 86,955</u>

Proposed expenditures for 1989 focus on transportation needs (e.g., streets/highways, bridges, traffic, and airport), neighborhood improvements and water/sewer utilities. A listing of capital expenditures is shown on the following page.

<u>Improvements</u>	<u>Amount (000)</u>
Expressway/Highway	\$ 9,950
Neighborhood Improvement	11,490
Arterial Streets	7,288
Traffic Control	2,114
Bridges	5,625
Drainage	770
Public Facilities	3,225
Transit	1,596
Park and Recreation	825
Water/Sewer Improvement	31,796
Airport	<u>12,276</u>
Total Capital Expenditures	<u>\$86,955</u>

1989 - 1994 CAPITAL IMPROVEMENT PROGRAM

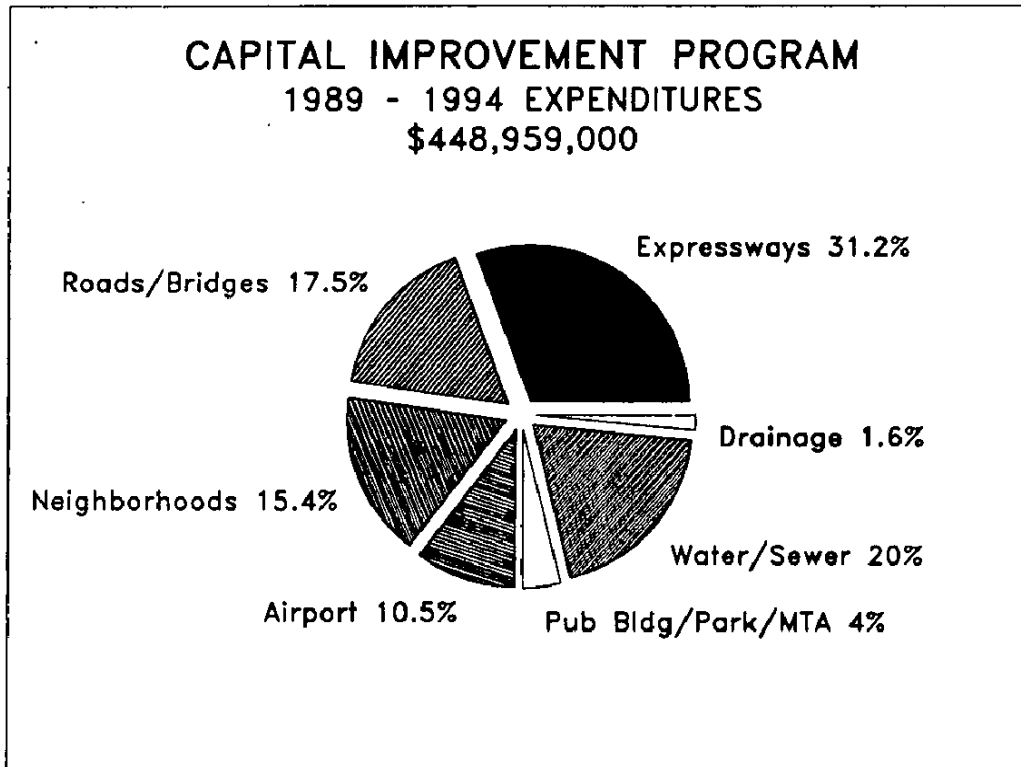
The improvements and financial work plan for the six-year period contemplates no increases over existing mill levy support. The total CIP program is projected to cost \$448.9 million. In addition to bonding, revenues to support this program will be principally derived from sales taxes, special assessments, utilities income, and Federal/State assistance. Property taxes account for approximately eleven (11) percent of the six-year program costs. The chart (below) identifies the resources available for capital projects.



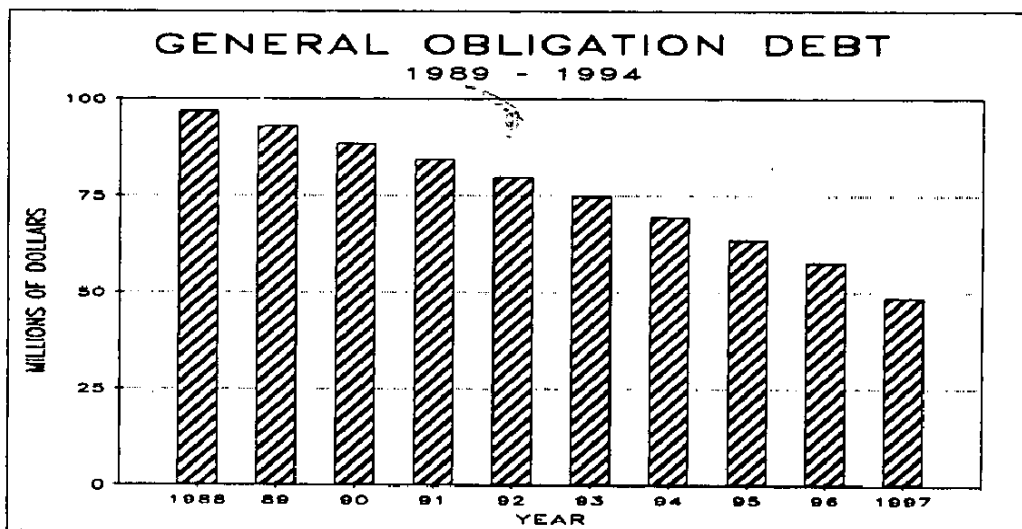
The program assumes that annual contributions of \$2 million from local sales taxes will continue to be allocated for arterial street improvements to enhance traffic flow throughout the City. Should these monies not be committed, the intersection improvement plan would require adjustments -- either in additional funding or reductions in construction schedules and/or projects.

A contingency amount has been provided to stabilize the plan should any short-term variances occur in revenues or construction costs. The 1989 reserve has increased to \$2.2 million, or approximately 5.7% of the annual projected revenues.

The chart (below) identifies the distribution of capital projects by expenditure categories supporting expansion and reconstruction of the City's infrastructure.



The general obligation debt outstanding and debt per capita, excluding special assessment and sewer bonds, is expected to decrease during the program years. This reduction is from a projected \$93 million indebtedness (\$308/capita) in 1989 to \$69.6 million (\$221/capita) in 1994. The chart (below) shows the projected level of bonded indebtedness for the ten year period from 1988 - 1997.



For further information and details on the 1989 - 1994 Capital Improvements Program, refer to the final CIP document published separately.

BUDGET PROCESS

BUDGET DEVELOPMENT

The preparation of the 1989/1990 Budget was the product of a team approach. Again this year, a Budget Review Cabinet was used to work with budget staff to assist the Manager's Office in evaluating departmental requests and framing a budget within the established guidelines. The Cabinet, comprised of management representatives from various departments, reviewed each department submittal and made recommendations for the Revised 1988 and the 1989/1990 Budgets.

A critical element of the budget development guidelines was the relationship of proposed expenditures to the City's Strategic Agenda.

This process was established not only to assist the Manager in the formulation of the budget, but to foster an even better understanding of the City's fiscal operation and cooperative relationships among the departments. It also provided a means to reduce possible duplication of services and equipment to realize increased economies and efficiency in municipal operations.

Following receipt of the Budget Review Cabinet's recommendations and comments from the public, the Manager and Budget Office staff reviewed all activity budgets and finalized the fiscal program now recommended to the City Council.

BUDGET ADMINISTRATION AND PERFORMANCE REVIEW

The adopted budget establishes appropriation and expenditure levels. The existence of a particular appropriation in the adopted budget, however, does not automatically mean funds will be expended. Because of the time span between preparing, adopting the annual budget and the end of the budget year, as well as rapidly changing economic factors, each expenditure will be reviewed prior to any disbursement to ensure maximum utilization of available funds. These expenditure review procedures will assure compliance with City requirements and provide some degree of flexibility for modifying programs to meet changing needs.

As more constraints are placed on municipal operations, the need for an ongoing program of work load analysis and program evaluation becomes even more critical. Such analysis helps ensure the efficiency and responsiveness of City operations and identifies areas that should be improved. To implement a systematic plan for program review, City departments have identified quantitative measures of program performance and will record ongoing data to monitor program performance against expectations. In this way, the City Council and management will have critical information in the future upon which to make important decisions about allocation of resources and the appropriate methods for service delivery to ensure cost effectiveness and efficiency.

BUDGET FORMAT

The adopted Budget for 1989-90 continues the efforts to improve the budget presentation format. These format changes include:

- (1) **Multi-Year Financial Planning:** Complementing efforts to unify and simplify the budget, this budget document reflects the first time a multi-year operating budget has been reviewed by the Council. The need for multi-year financial planning was outlined in the Strategic Agenda, and its importance is highlighted by the projections of adverse fiscal impact in the next several years due to property reappraisal.
- (2) **Consolidation of Funds:** Continuing efforts from the 1988 Budget, further fund consolidation is reflected in the following areas. This consolidation emphasizes a goal of reflecting full cost accounting (and cost recovery where appropriate) for each program.

- (a) Employee benefits have been allocated and identified to each applicable program eliminating a separate Employee Benefits Fund.
 - (b) Vehicle liability and building insurance costs are allocated to each program eliminating separate accounting in the Nondepartmental Budget.
 - (c) Various smaller separate funds and accounts throughout the Budget have been consolidated to simplify budget review and administration (e.g. consolidation of equipment and building maintenance funds).
- (3) Personal Services Savings: The budget was constructed with acknowledgment given to cost savings that may result from personnel (staffing) vacancies. Prior budgets included full personnel costs and assumed no vacant positions. Using the average annual employment turnover trends, the personal services costs (in the taxing funds) are budgeted at a 98.3 percent level in 1989 and 1990.
- (4) Budget/Financial Report Reconciliation: The 1989-1990 Budget has been developed so fund/account descriptions and amounts correspond to the Comprehensive Annual Financial Report. This format change will permit direct comparison of budget allocations and expenditures, consistent with Government Finance Officers Association standards.

TAX EXEMPTION/ABATEMENT IMPACTS

For a number of years, the City's governing body has granted tax abatements to encourage economic growth and development. These abatements have been primarily granted with the issuance of Industrial Revenue Bonds (IRBs). In some cases, the City has required in-lieu-of tax payments to offset the loss of tax revenues from these bonded improvements.

The City has also approved several annexation agreements which restrict property tax collections for certain municipal purposes.

In 1986, the Kansas Constitution was amended to authorize local governments to grant property tax exemptions for certain economic development purposes (creation of new jobs, expansion of facilities, and acquisition of equipment/machinery). The City Council adopted a tax exemption policy which establishes a limit on annual tax exemptions to .5 percent of the assessed valuation, or approximately \$183,000 in 1989.

The impact of the IRB and annexation abatements and exemptions on City tax revenues is estimated below.

Tax Exemptions/Abatements 1987-1989

<u>Authority</u>	<u>Actual 1987</u>	<u>Authorized 1988</u>	<u>Projected 1989</u>
Industrial Revenue Bonds	\$577,121	\$ 594,224	\$ 546,527
Wichita Industrial District	173,932	170,453	170,500
Koch Industrial District	45,395	45,763	45,800
State Constitutional Amendment			
Tax Exemptions To Date		74,719	74,719
Projected New Exemptions 1988		174,103	174,103
Projected New Exemptions 1989			<u>183,000</u>
Total Exemptions/Abatements	<u>\$796,448</u>	<u>\$1,059,262</u>	<u>\$1,194,649</u>
 Mill Levy Loss Equivalent	 <u>0.82</u>	 <u>1.07</u>	 <u>1.17</u>

IMPROVING AND ECONOMIZING OPERATIONS

The budget continues to focus on ways to reduce costs and do more with less. New and innovative management techniques must be developed and skillfully applied if the City is to continue to provide responsive municipal programs/services at a reasonable cost to the public.

Increased efficiency through modification in the organizational structure of City government, purchase of labor-saving equipment and implementation of new, and less costly methods to provide services are ways in which the City can substantially reduce or stabilize costs to keep City services within the desired budget limitations.

A few of the areas proposed for study and/or implementation include:

- (1) Work with the Privatization Task Force to evaluate specific services for the most economical approach to service delivery, including contracting or privatization.
- (2) Expand efforts in grantsmanship by actively pursuing Federal/State assistance to improve and revitalize the downtown area, housing, streets, public safety, parks, and cultural programs.
- (3) Seek new partnerships with other units of government to reduce operational costs to the taxpayers.
- (4) Continue to explore the feasibility of transferring operation of various cultural facilities, such as Art Museum, Cowtown, Indian Center, Botanica, Omnisphere, etc., to private trust or nonprofit groups in order to enhance the attractions and relieve tax support.
- (5) Work with the consultants on the Police operations study (underway) and Fire operations study (planned) to identify more efficient means of service delivery in these two large departments.
- (6) Study the management and organization of Central Inspection to increase the efficiency and effectiveness of inspection services.
- (7) Continue use of "loaned executives" from business and education to provide managerial and technical assistance to assist in operational improvements and efficiencies.
- (8) Complete inventory and sale of all public-owned property that is no longer needed for public purposes. The goal of this program is to restore property for private use and increase the tax base.
- (9) Continue and expand use of performance measurement and service level indicators to allow for problem identification, resource allocation, improvement of service effectiveness and increased productivity.
- (10) Explore feasibility of automated parking citations and parking enforcement to reduce costs and improve detection of stolen vehicles and improperly registered or licensed vehicles.
- (11) Implement the space utilization study in City Hall to allow for more efficient use of space, improve efficiency and citizen convenience.
- (12) Develop employee incentive programs to encourage and reward employees for innovation and implementation of cost-saving measures in City programs and services.
- (13) Study feasibility of consolidating maintenance activities of the City, including park, streets, water and sewer, to determine if better utilization of workforce and lower costs could be achieved with a singular operating unit.
- (14) Implement a computerized calling system for increased collection of outstanding warrants.
- (15) Complete a restructure of the Finance Department to improve service coordination and reduce cost through streamlined management and installation of an integrated finance computer system.

CONCLUSION

When the budget process began, a number of budget goals and strategies were established to guide the formulation of the 1989/1990 budget. Some of these included:

- Maintain and improve quality essential services.
- Implement strategic agenda improvements.
- Evaluate revenue sources to support new services/projects.
- Increase efficiency/economy in City services/operations.
- Explore alternative delivery of public services.
- Examine organizational structures/staffing.
- Maintain and/or increase operating reserves.

The adopted 1989/1990 Budget addresses these goals/strategies and makes significant strides in bolstering the City's financial stability and addressing critical needs and essential services. Without additional resources, however, the City is unable to provide all of the needs, services and desires of departments that would significantly enhance the quality of community life. The budget presents a balanced program of services and makes a sincere effort to hold down operating costs while providing for programs and services important to the citizens of Wichita.

Respectfully submitted,



Chris Cherches
City Manager

CC/t

Acknowledgements: Formulating and preparing a budget document of this kind is the result of countless hours of work by many individuals. The Budget Review Cabinet did an outstanding job in evaluating budget requests. Department Heads (and their Staffs) worked diligently and are commended for their efforts. Special thanks and appreciation are extended to the Finance Staff for their long hours and hard work and to the Manager's Staff for their many efforts in the process.